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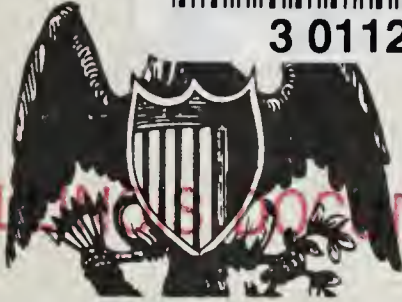
ILLINOIS SECURITIES LAW

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INFORMATION FOR INVESTORS**

- * Purpose of the law
- * Enforcement responsibilities
- * Registration requirements
- * Exemptions
- * Dealer, Salesmen & Adviser registration
- * Investment suggestions

**MICHAEL J. HOWLETT
SECRETARY OF STATE**

FOREWORD

This leaflet is designed to inform those who buy or sell securities in the State of Illinois about The Illinois Securities Law of 1953. It will also provide important information for the prospective investor.

It is the purpose of the law and the Secretary of State to protect the investing public of our State. An educated investor who is aware of the facts that are brought out in this folder can assist this office in carrying out that purpose.

This folder attempts to set forth the basic protections afforded the Illinois investor.

Michael J. Howlett
Secretary of State



WHAT ARE SECURITIES?

Securities include not only the common forms of investments such as stocks and bonds and notes, but other forms of investment as well. These include:

- * Investment contracts
- * Participations in condominium rental agreements
- * Participations in oil wells
- * Limited partnership interests in real estate, cattle feeding and breeding operations, tree crops

In order to prevent promoters from selling worthless securities to an unsuspecting public, State law requires that before securities may be offered for public sale, the Secretary of State must find that the offering is not "inequitable" or would not "work or tend to work a fraud or deceit".

PURPOSE OF LAW

The purpose of the Illinois Securities Law is primarily to protect the investor from fraud, but not necessarily from commercial loss. The Law attempts to protect the investor by:

- (1) Requiring "registration" of securities by the Securities Division before they may be offered for sale;
- (2) Licensing and regulating investment advisors, dealers and salesmen of securities;

- (3) Providing civil remedies to purchasers of securities sold in violation of the law; and
- (4) Providing disciplinary remedies, preventive measures and in some cases criminal penalties for offenders who violate the securities laws.

The Law does NOT affect transactions occurring wholly outside the State of Illinois.

REGISTRATION OF SECURITIES

In deciding whether a securities offering is "eligible for registration" the Secretary of State may examine all of the business and financial aspects of the person offering the securities and the securities themselves. Not only does the Illinois Securities Law require that the truth be told about all of the important or material facts of the offering, but registration may be refused if the offering of the securities to Illinois residents would be fraudulent or inequitable. The Secretary of State does not pass on the merits of any securities.

The Secretary of State may also impose conditions he deems necessary to protect the investing public. The Securities Division is responsible for administering the registration procedures for proposed issuers of securities. Members of that Division may be consulted at the nearest Division office. The fact that securities have been registered with the Secretary of State does not necessarily mean that they are a good investment.

HOW IS THE LAW ENFORCED?

The Secretary of State has the duty of enforcing the Illinois Securities Law. The enforcement program includes investigating possible violations, conducting public hearings to prohibit violations, instituting court actions to require compliance with the Law and the referral of possible criminal cases to State's attorneys for prosecution.

Civil remedies are also given by the law to persons who have been sold securities in violation of the Law. While the Division may offer some assistance in this regard, the Division is not authorized to attempt to enforce or adjudicate private civil actions between citizens and corporations.

WHAT IS EXEMPT FROM THE LAW?

The Illinois Securities Law provides exemptions from the registration requirements for certain types of transactions and securities. These "exempt transactions" include the sale of securities to small numbers of persons; sales to a bank, corporation or insurance company; sales to existing securities holders and similar types of limited transactions.

The "exempt securities" include securities issued or guaranteed by the United States or any local government or any foreign country which maintains diplomatic relations with the United States, securities listed on certain major stock exchanges and securities subject to authorization by various government agencies.

The various exemptions from registration are of limited scope and require special circumstances to be available for a particular offering. Any person offering or selling a security in reliance upon an exemption from registration proceeds at his own risk.

Members of the Securities Division may be consulted at the nearest Division office in regard to possible exemptions.

REGISTRATION REGULATIONS

Every person engaged in the business of selling securities must be registered as either a securities dealer or as a salesman for a registered dealer, issuer or controlling person. A person desiring to be registered as a securities dealer or salesman must submit detailed information regarding his business reputation, qualifications and financial standing. Once a person is registered as a dealer or salesman his activities are closely scrutinized by the Secretary of State.

Certain persons who, for compensation, give advice to Illinois residents regarding securities are required to be registered as investment advisers. This includes persons who give investment advice on an individual basis and persons who distribute "tip sheets" regarding the advisability of investing in specific securities.

SUGGESTIONS FOR INVESTORS

The law and the Securities Division of the Office of the Secretary of State exist to assure fairness in the market place. Beyond that, to protect against loss, the law requires the

disclosure of information vital to the investor. Then it is up to him to use that information for his protection. The following suggestions are offered to assist in making sound investment decisions:

- (1) "Investigate before you invest" is the first rule. No one should buy without first learning all of the important facts about his prospective investment. Seek advice of your legal or "business" adviser. Don't be high-pressured or hurried into purchases. Promises of quick profits can be costly.
- (2) Familiarity with the operation of the stock market is also important. Ask your stock broker to explain the basic procedures in buying and selling stock.
- (3) Beware of securities peddled unsolicited by strangers via telephone or doorbell. Think before you act in securities transactions. Assure yourself that the investment fits your particular needs and investment goals.
- (4) Deal only with securities dealers, salesmen and investment advisers registered with the Secretary of State.
- (5) Contact the Securities Division of this office if you are in doubt as to whether a dealer, salesman, investment adviser or securities being offered to you are registered with the Secretary of State.

OTHER PUBLIC INFORMATION

Securities and Exchange Commission

The U.S. Securities and Exchange Commission regulates (1) corporations whose stock is listed on a national exchange, (2) corporations with 500 or more shareholders and

assets in excess of \$1,000,000, and (3) investment companies, including mutual funds. These corporations are required to file registration statements and material concerning proxy solicitations and insider transactions, all of which is available to the public.

Public offerings of securities to persons in more than one state must generally be registered with the SEC. The federal securities act requires that investors receive a copy of a prospectus from the issuing corporation or person who offers the securities to the public. The prospectus is available to the public. The U.S. Securities and Exchange Commission maintains offices in Illinois at 219 South Dearborn Street, Chicago, Illinois, 60604.

FOR FURTHER INFORMATION...

If you desire information concerning an offering of securities or the persons making an offer of securities, contact one of the offices of the Illinois Securities Division at the following addresses:

Securities Division
Office of the Secretary of State
Centennial Bldg. - 2nd Fl. West
Springfield, Illinois 62756
Telephone: (217) 782-2256

Securities Division
Office of the Secretary of State
188 West Randolph St. - Rm. 1623
Chicago, Illinois 60601
Telephone: (312) 793-3387